

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 AEC-05

CIAE-00 COME-00 DODE-00 FEAE-00 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 PM-03 SAM-01 OES-03 FRB-03 PA-01

PRS-01 USIA-06 /100 W

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R 231648Z JAN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7454

INFO AMEMBASSY BRUSSELS

AMEMBASSY LUXEMBOURG

AMEMBASSY LONDON

AMEMBASSY DUBLIN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY TEHRAN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

USMISSION EC BRUSSELS

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LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 01198

E.O. 11652: N/A

TAGS: EINV, EFIN, GW

SUBJECT: INCREASED GERMAN CONCERN OVER OIL PRODUCERS'
INVESTMENTS

REF: BONN 13191

1. THE RECENT NEAR-SALE OF 29 PERCENT OF THE SHARES

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OF DAIMLER-BENZ TO IRAN (SEE STUTTGART 51) FOLLOWING

ON THE HEELS OF THE SALE OF 14 PERCENT OF THIS FIRM TO KUWAIT LAST NOVEMBER HAS STIMULATED CONSIDERABLE CONCERN IN GERMAN POLITICAL AND ECONOMIC CIRCLES ABOUT INVESTMENT INFLOWS FROM OIL PRODUCING COUNTRIES. THE SPECTER OF MASSIVE BUY-OUTS OF THE GIANTS OF GERMAN INDUSTRY BY THE OIL PRODUCERS LOOMS INCREASINGLY LARGE IN THE EYES OF THE GERMAN PUBLIC AND ARAB OWNERSHIP IN SUCH TRADITIONAL GERMAN STALWARTS AS KRUPP AND MERCEDES HAS UNLEASHED A PSYCHOLOGICAL REACTION THE FULL RAMIFICATIONS OF WHICH WILL TAKE SOME TIME TO PLAY OUT.

2. BOTH CHANCELLOR SCHMIDT AND FINANCE MINISTER APEL HAVE ADDRESSED THIS ISSUE PUBLICLY IN RECENT DAYS AND REPRESENTATIVES OF BOTH PARTIES OF THE GOVERNMENT COALITION IN THE BUNDESTAG HAVE EXPRESSED THEIR INTENTION FOR A THOROUGH REVIEW OF THE GOVERNMENT'S POLICY WITH REGARD TO INFLOWS OF OIL MONEY. COMMENTING ON THE DAIMLER-BENZ PURCHASE, SCHMIDT WAS QUOTED AS STATING THAT GOVERNMENT WAS OF THE VIEW THAT THE SALE OF A MAJORITY OF THE SHARES OF THIS FIRM TO FOREIGN INTERESTS SHOULD BE PREVENTED. IN A SPEECH LATER IN THE WEEK HE STATED THAT WHILE THE GOVERNMENT DOES NOT REJECT IN PRINCIPLE THE GOAL OF RECYCLING BY MEANS OF BUYING INTO GERMAN FIRMS, HE NOTED THAT SUCH A PROCESS REQUIRES SERIOUS VIGILANCE AND POSSIBLY LEGAL BARRIERS. FOR HIS PART, APEL STATED THAT THERE ARE LIMITS TO THE AMOUNT AND TYPES OF DIRECT INVESTMENT WHICH THE GERMAN GOVERNMENT WOULD PERMIT WITHIN THE FEDERAL REPUBLIC.

3. FACED AS IT IS WITH THIS HIGHLY EMOTIONAL POLITICAL AND ECONOMIC ISSUE, THE GERMAN GOVERNMENT HAS BEGUN PRELIMINARY DISCUSSIONS WITH REPRESENTATIVES OF THE GERMAN BANKING AND INDUSTRIAL COMMUNITY TO EXPLORE THE POSSIBILITY OF SOME TYPE OF VOLUNTARY REPORTING BY THESE GROUPS REGARDING OVERTURES MADE BY THE FOREIGNERS TO PURCHASE ANY SIZABLE LIMITED OFFICIAL USE

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BLOCKS OF SHARES IN GERMAN INDUSTRY. BOTH THE ECONOMIC AND FINANCE MINISTRIES APPEAR TO PREFER A VOLUNTARY ARRANGEMENT AS OPPOSED TO LEGISLATED REPORTING REQUIREMENTS. REPRESENTATIVES OF BANKING AND INDUSTRY ASSOCIATIONS HAVE WRITTEN THE CHANCELLOR OFFERING SUCH A VOLUNTARY ARRANGEMENT BUT THEY ALSO STRESSED THE FACT THAT SUCH AN ARRANGEMENT COULD IN NO SENSE BE CONSIDERED "WATERTIGHT".

CONSEQUENTLY, THE GOVERNMENT IS STILL CONSIDERING
WHAT TYPE OF LEGAL ORDINANCES MIGHT BE NECESSARY.

4. INVESTMENTS BY OIL PRODUCERS IN GERMANY, PARTICULARLY
WHEN THESE INVESTMENTS ARE OF SUCH A SIZE TO BESTOW A
DEGREE OF MANAGERIAL CONTROL RAISE A NUMBER OF CONCERNS
WITHIN THE GOVERNMENT. TO THE EXTENT THE INVESTMENT
IS MERELY A PURCHASE OF EXISTING FACILITIES, IT IS
FELT THAT GERMANY IS SELLING ITS KNOW-HOW TOO CHEAPLY
AND GETTING LITTLE IN RETURN FOR IT. THERE IS A
FEELING THAT CONTROL OF CERTAIN BASIC ENTERPRISES MIGHT
PASS TO FOREIGNERS WHOSE INTERESTS COULD BE OR COULD
DEVELOP TO BE DIFFERENT FROM THOSE OF THE FRG. THERE
IS A CONCERN ABOUT GERMAN NATIONAL SECURITY AND
THE FEAR THAT OIL PRODUCERS THROUGH THEIR OWNERSHIP

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OF A SHARE OF CERTAIN FIRMS MIGHT GAIN ACCESS TO
SENSITIVE DEFENSE INFORMATION. THERE IS ALSO A
CONCERN THAT THE INFLOW OF FOREIGN CAPITAL COULD
INCREASE THE PRESSURE ON GERMANY TO PROVIDE FINANCIAL
ASSISTANCE TO OTHER COUNTRIES SUFFERING FROM SEVERE
BALANCE OF PAYMENTS DIFFICULTIES SO THAT IN EFFECT
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GERMANY IS SELLING OFF ITS GOODS INDUSTRIES AND
IN RETURN IS LENDING THE PROCEEDS TO HIGH RISK
BORROWERS.

5. THE FRG IS VERY HESITANT TO TAKE STEPS WHICH IN
EFFECT WHITTLE AWAY AT GERMANY'S BASICALLY LIBERAL
MARKET-ORIENTED ECONOMIC STRUCTURE.
YET IT IS VERY COGNIZANT OF THE POLITICAL ECONOMIC
DANGER OF UNVETTED CAPITAL INFLOW FROM OIL
PRODUCERS.
IN SPITE OF THE INTERPLAY BETWEEN THESE CONFLICTING
FORCES IT IS LIKELY THAT SOMETHING WILL BE DECIDED
IN THE COMING WEEK.
HILLENBRAND

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